

Approved: _____
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on March 18, 1996 in Room 527S-of the Capitol.

All members were present except: Representative Tom Sawyer
Representative Phill Kline
Representative Delbert Crabb
Representative Gwen Welshimer

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: John Badger, Legal Counsel, SRS
John Peterson, Kaiser Permanente
Tuck Duncan, Occupational Therapists Association

Others attending: See attached list

Hearing on SB 593: Limiting time for medical vendors to file claim with state

John Badger, Chief Legal Counsel for the Department of Social and Rehabilitation Services, described the Medicaid payment system as being the payor of last resort and secondary to all other third party resources (Attachment 1). It can be a difficult and time-consuming process to identify and/or verify liable third party resources from the 1400 claims received each month. Many insurance companies have a limited filing period which amounts to more than \$490,000 in lost recoveries of which 40% comes from the state general fund and the remaining 60% from federal funding. This bill would increase the time to file claims for up to two years.

Representative Landwehr moved to pass the bill out favorably and place it on the Consent Calendar. The motion was seconded by Representative Samuelson. Motion carried.

Discussion and action on SB 444: Prohibiting insurance trade practices which discriminate against victims of domestic abuse

Representative Landwehr moved to amend the bill according to the balloon presented by the Revisor's Office which contained technical changes (Attachment 2). Motion was seconded by Representative Humerickhouse. Motion carried.

Representative Graeber moved to include property and casualty insurance in this antidiscriminatory bill. Motion was seconded by Representative Findley. Motion failed.

The Committee discussed their opposition to the amendment regarding property and casualty insurance inclusion because the model legislation has not been identified at this time. This proposal will probably undergo study this year and be presented to the legislature next year.

Representative Samuelson moved to pass the bill out favorably as amended. Motion was seconded by Representative Correll. Motion carried.

Discussion and action on SB 477: Revising health management organization statutes and related matters

Representative Correll moved to reinsert the language found on Page 13, Lines 20 and 21 which was struck by the Senate. This would allow the Commissioner of Insurance to require "other information" through rules and regulations. Motion was seconded by Representative Graeber. The motion failed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527S-Statehouse, at 3:30 a.m. on March 18, 1996.

Committee opposition to this motion was due to the regular review of such statutes by the legislature and the fact that rules and regulations tend to become permanent.

Representative Correll moved to accept the amendment presented by the Kansas Medical Society which would provide for 90 days continuation of care when provider terminates and authorize payment to provider after termination. The motion was seconded by Representative Donovan. Motion carried.

John Peterson, on behalf of Kaiser Permanente, offered an amendment which would strike current language and insert language in favor of having appropriate regulations for mergers and acquisitions (Attachment 3). Tom Wilder of the Insurance Department said they did not agree with the proposed amendment. There was no motion made on this proposal.

Tuck Duncan, legislative liaison for Kansas Occupational Therapy Association, requested an amendment adding "occupational therapy services" to the list of health care services (Attachment 4).

Representative Cox moved to accept the proposed amendment from the Kansas Occupational Therapy Association. The motion was seconded by Representative Landwehr. Motion carried.

Joe Furjanic of the Kansas Chiropractors Association asked that their proposed amendments not be considered at this time.

Representative Graeber moved that the bill be passed out favorably as amended. The motion was seconded by Representative Dawson. Motion carried.

Discussion and action on SB 603: Health insurance to cover certain conditions notwithstanding ERISA

Representative Bryant suggested incorporating the language from **HB 2627: State officers and employees, long-term health care insurance** into the bill. This legislation is being proposed by the Health Care Commission and was studied by an interim committee this summer. A fiscal note has been prepared which indicates a \$15,000 startup cost. A balloon amendment prepared by the Insurance Department which requires the Commission to offer to all employees long-term care insurance with the employee paying for the policy was presented (Attachment 5). This bill would have overall savings as purchasers of such a plan would not have to spend down their savings in order to receive assistance in long-term care.

Representative Donovan moved to amend HB 2627 into the bill along with technical amendments and the balloon prepared by the Insurance Department. Motion was seconded by Representative Samuelson. Motion carried.

Representative Samuelson moved to change third to fourth on Page 2. Motion was seconded by Representative Landwehr. Motion carried.

Representative Graeber moved that the bill be passed out favorably as amended. Motion was seconded by Representative Humerickhouse. Motion carried.

Representative Samuelson moved to approve the minutes of March 11, 12, and 13. Motion was seconded by Representative Cox. Motion carried.

The meeting adjourned at 4:35 p.m. There are no future meetings scheduled at this time.

**Kansas Department of Social and Rehabilitation Services
Rochelle Chronister, Secretary**

**House Committee on Financial Institutions and Insurance
Testimony on S.B. No. 593
Pertaining to the Right to Coordinate Benefits with a Private Carrier**

March 18, 1996

Mr. Chairman and members of the committee, I am John Badger, Chief Legal Counsel for the Department of Social and Rehabilitation Services. Thank you for this opportunity to testify on behalf of Secretary Chronister today concerning Senate Bill 593. This bill was drafted at the request of the Department and introduced on our behalf by the Senate Committee on Financial Institutions and Insurance. It was developed to address a specific concern that hampers our Agency's ability to administer the Medicaid program.

Medicaid is, by State statute, federal regulation and Congressional intent, the payor of last resort and thereby secondary to all other third party resources. The Kansas Medicaid program has an aggressive and successful third party recovery program. However, its effectiveness has been diminished by private carriers' ability to limit our filing of coordination of benefit claims by time constraints.

By the nature of the clients that we serve, it is often a difficult and time-consuming process to identify and/or verify a liable third party resource. In these cases, a limited filing period may prevent the program from exercising the right to be payor of last resort resulting in taxpayer dollars being spent to provide medical services that are the legal responsibility of a commercial insurance carrier.

Recent analysis of post payment recovery denials indicates that approximately 1400 claims per month are denied by insurance companies because our claim to coordinate benefits was received after the company's self-imposed deadline to file claims. This amounts to more than \$490,000 in lost recoveries (60% federal and 40% state general funds) annually for the Medicaid program. This bill would allow the program to be reimbursed on many of these claims by companies that have been prepaid to provide the services in question.

For the above reasons it is respectfully requested this committee act favorably on SB 593.

Thank you.

John Badger
Chief Legal Counsel
296-3967

House F.D.S.
Attachment 1
March 18, 1996

On page 4, in line 28, by striking "(iv)" and inserting "(v)";

On page 5, following line 5, by inserting the following:

"(iv) no person shall refuse to insure, refuse to continue to insure, limit the amount, extent or kind of coverage available to an individual or charge a different rate for the same coverage solely because of physical or mental condition, except where the refusal, limitation or rate differential is based on sound actuarial principles.";

Also on page 5, in line 6, by striking "(iv)" and inserting "(v)"; by striking all of lines 13 through 17; in line 18, by striking "(C)" and inserting "(B)"; in line 20, by striking "(D)" and inserting "(C)"; in line 22, by striking "(v)" and inserting "(vi)"; by striking all of line 24; in line 25, by striking all preceding the period and inserting "(7)(d)(v), shall treat such underwriting or rating as an adverse underwriting decision pursuant to K.S.A. 40-2,112, and amendments thereto"; in line 26, by striking "(vi)" and inserting "(vii)";

On page 1, in line 15, by striking "sections" and inserting "section";

House F.W.S.
Attachment 2
March 18, 1996



**PROPOSED AMENDMENT FOR S.B. 477, AS AMENDED BY SENATE
COMMITTEE**

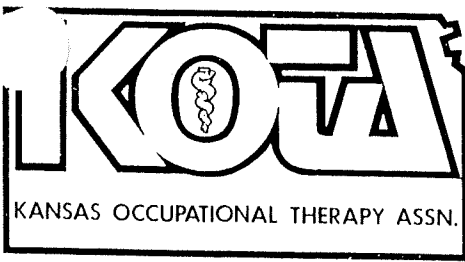
On page 19, strike out existing Section 15 and insert the following:

New Section 15. No person may make a tender for or a request or invitation for tenders of, or enter into an agreement to exchange securities for or acquire in the open market or otherwise, any voting security of a health maintenance organization or enter into any other agreement if, after the consummation thereof, that person would, directly or indirectly (or by conversion or by exercise of any right to acquire) be in control of the health maintenance organization, and no person may enter into an agreement to merge or consolidate with or otherwise to acquire control of a health maintenance organization, unless, at the time any offer, request or invitation is made or any agreement is entered into, or prior to the acquisition of the securities if no offer or agreement is involved, the person has filed with the commissioner and has sent to the health maintenance organization, information required by K.S.A. 40-3304(b)(1), (2), (3), (4), (5), and (12) and the offer, request, invitation, agreement or acquisition has been approved by the commissioner. Approval by the commissioner shall be governed by K.S.A. 40-3304(d)(1) and (2).

Gerard Grimaldi,

TOTAL P. 03

House F.D.S.D
Attachment 3
March 18, 1996



MEMORANDUM

TO: House Committee on Financial Institutions and Insurance

FROM: R.E. "Tuck" Duncan Legislative Liaison [signature]

RE: SB 477

DATE: March 18, 1996

Last week when your committee held hearings regarding SB 477, I was unable to appear. At such time as the committee "works" the bill, please consider making a minor technical amendment to the definition section as shown below by imputing in the definition of "Health care services" the following: "Occupations Therapy Services". These services should also be included in the definition.

Thank you for your attention to and consideration of this matter.

RED:cal

24 (e) (m) "Health care services" means basic health care services and
25 other services, medical equipment and supplies which may include, but
26 are not limited to, medical, surgical and dental care; psychological, ob-
27 stetric, osteopathic, optometric, optic, podiatric, nursing, physical ther-
28 apy services, chiropractic services and pharmaceutical services; health ed-
29 ucation, preventive medical, rehabilitative and home health services;
30 inpatient and outpatient hospital services, extended care, nursing home
31 care, convalescent institutional care, laboratory and ambulance services,
32 appliances, drugs, medicines and supplies; and any other care, service or
33 treatment for the prevention, control or elimination of disease, the cor-
34 rection of defects or the maintenance of the physical or mental well-being
35 of human beings.

occupational therapy services

Handwritten notes: House FD, Attachment 4, March 18, 1996

HOUSE BILL No. 2627

By Health Care Reform Legislative Oversight Committee

1-10

9 AN ACT concerning long-term care insurance for state officers and em-
10 ployees; prescribing the powers and duties of certain state officers;
11 amending K.S.A. 75-6513 and repealing the existing section.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. As used in this act:

15 (a) "Commission" means the Kansas state employees health care
16 commission established pursuant to K.S.A. 75-6502, and amendments
17 thereto.

18 (b) "Director" means the director of accounts and reports.

19 (c) "Employee" means any person who is an elected or appointed
20 officer or any employee of the state in the classified service or unclassified
21 service under the Kansas civil service act, other than persons who are
22 employed on a seasonal or temporary basis.

23 (d) "Long-term care insurance" means any long-term care insurance
24 policy which is authorized to be sold in the state of Kansas.

25 (e) "State" means the state of Kansas and any state agency as defined
26 in subsection (3) of K.S.A. 75-3701, and amendments thereto.

27 New Sec. 2. (a) ~~Subject to the provisions of appropriation acts relat-~~
28 ~~ing thereto,~~ the Kansas state employees health care commission may enter
29 into one or more group insurance contracts to provide long-term care
30 insurance ~~to be available for all employees.~~

shall offer to all employees long-term care insurance and the commission

31 (b) The Kansas state employees health care commission is hereby
32 authorized to negotiate and enter into contracts with qualified insurers
33 for the purpose of providing long-term care insurance. The commission
34 shall advertise for proposals, shall negotiate with not less than three firms
35 or other parties submitting proposals, and shall select from among those
36 submitting proposals the firm or other contracting party to contract with
37 for the purpose of entering into contracts for long-term care insurance.

such

38 (c) The provisions of K.S.A. 75-4317 to 75-4320a, inclusive, and
39 amendments thereto, shall not apply to meetings of the Kansas state em-
40 ployees health care commission when the commission meets solely for
41 the purpose of discussing and preparing strategies for negotiations for
42 contracts for long-term care insurance.

43 (d) Contracts entered into pursuant to this section shall not be subject

James Ash
Attachment 5
March 18, 1996

5-2

1 to the provisions of K.S.A. 75-3738 to 75-3740, inclusive, and amend-
2 ments thereto. Such contracts may be for terms of not more than three
3 years and may be renegotiated and renewed. All such contracts shall be
4 subject to the limits of appropriations made or available therefor and
5 subject to the provisions of appropriations acts relating thereto.

6 (e) In exercising and performing the powers, duties and functions
7 prescribed by this section, the Kansas state employees health care com-
8 mission may adopt rules and regulations and enter into such contracts as
9 may be necessary.

10 New Sec. 3. (a) The purchase of long-term care insurance by an em-
11 ployee shall be voluntary, and the cost of such insurance for such em-
12 ployee shall be established by the Kansas state employees health care
13 commission.

shall be paid by the employee. The cost of such insurance

14 (b) Periodic deductions from state payrolls may be made in accor-
15 dance with procedures prescribed by the secretary of administration to
16 cover the costs of the long-term care insurance payable employees. All
17 moneys deducted pursuant to this section shall be remitted to the com-
18 mission and deposited in the cafeteria benefits fund in the manner pro-
19 vided by K.S.A. 75-6513, and amendments thereto.

20 Sec. 4. K.S.A. 75-6513 is hereby amended to read as follows: 75-
21 6513. (a) The health care benefits program fund is hereby abolished and
22 any reference to the health care benefits program fund in any statute,
23 contract or other document shall be deemed to be a reference to the
24 cafeteria benefits fund established by this section. There is hereby created
25 in the state treasury the cafeteria benefits fund. On the effective date of
26 this act, the director of accounts and reports shall transfer all moneys in
27 the health care benefits program fund to the cafeteria benefits fund and
28 all liabilities of the health care benefits program fund are hereby trans-
29 ferred to and imposed upon the cafeteria benefits fund.

30 (b) The cost of the state health care benefits program, including the
31 costs of administering the program, shall be paid from ~~this the cafeteria~~
32 ~~benefits fund. The cost of the long-term care insurance, including the costs~~
33 ~~of administration, purchased pursuant to section 3 shall be paid from the~~
34 ~~cafeteria benefits fund.~~ The Kansas state employees health care commis-
35 sion shall remit all moneys received by or for the commission pursuant
36 to the state health care benefits program or from the purchase of long-
37 term care insurance to the state treasurer. Upon receipt of such remit-
38 tance the state treasurer shall deposit the entire amount thereof in the
39 state treasury to the credit of the cafeteria benefits fund.

40 (c) Each state agency shall pay into the cafeteria benefits fund
41 amounts specified by the secretary of administration to pay for costs of
42 administering the cafeteria plan as provided by law, including the costs
43 of benefits provided thereunder.